

COLORADO CREDIT UNIONS

SUNSET REVIEW FOR THE DIVISION OF FINANCIAL SERVICES



Colorado Credit Unions are encouraging support of DORA's Division of Financial Services' Sunset Review.

Please support this legislation which recommends continuing the division and makes a series of common-sense updates to modernize state regulations.

Currently 36 of the 71 credit unions headquartered in Colorado operate under the state credit union charter with the remaining under federal authority and supervision. Collectively they operate as not-for-profit, member-owned financial services providers to 2.5 million Coloradans who choose to be member-owners of their local credit union.

While the state credit union charter has existed since 1931, it remains critically important to ensure it is updated and remains a high-quality option for local credit unions, captures various technical efficiencies, and allows credit unions to meet rapidly evolving consumer preferences and demands.

The Sunset makes the following changes which Colorado Credit Unions support.



Recommendation #1:

Continue the Division of Financial Services.



Recommendation #2:

Provide explicit authority for a Colorado-chartered credit union to merge with a credit union in another state.

- Due to the lack of clear authority in current law, a Colorado state-chartered credit union must convert to a federal charter to then merge with an out-of-state credit union, which negatively impacts state resources for the Division of Financial Resources.
- This is an unnecessary, costly, and inefficient process to achieve the ultimate outcome which would be streamlined under the Sunset Review recommendation.
- Financial institutions face increasing cost and efficiency pressures each year and a merger can be a way to achieve some additional economies of scale and offer broader products and services to more members.
- With this change, the merging credit unions would determine which state to maintain its charter with a vote by its membership and consultation with state and federal regulatory officials.



Recommendation #3:

Modernize the authority of the state financial services board and commissioner to assess a financial penalty for misconduct.

The authority to assess a civil money penalty to deter misconduct that negatively impacts the financial system, has not been updated since 1987, and the legislation would increase the maximum from \$1,000 to \$5,000 per day.



Recommendation #4

Repeal the prohibition on overlapping geographic fields of membership.

- An outdated provision requires the Financial Services Board to approve an overlapping geographic field of membership. Removal of this outdated provision gives the regulator the authority to grant FOM expansions and allows the Financial Services Board to focus on critically important issues.
- According to DORA's sunset review report, "this requirement is unnecessary and restrictive and should be repealed...credit unions should be and generally are allowed to compete with each other."



Recommendation #5:

Enable a credit union's board to set the fiscal year and annual meeting dates.

- Current law requires the credit union's fiscal year to be the end of the calendar year and for the annual meeting to be within the next five months.
- All credit unions are required to conduct annual audits and there are a limited number of firms qualified to conduct these audits. By allowing a credit union to set its own fiscal year end date, there will be better ability to conduct audits and align other processes in a way that may work best for each organization.



Recommendation #6:

Repeal requirement of the Financial Services Board to send registered mail notice to other financial institutions near a credit union newly providing services.

- When a financial institution is newly serving a certain community, the division must send mail notifying other financial institutions in the same area.
- Doing so via certified or registered mail adds unnecessary costs and processes to the division when other methods are available to make entities aware.



Recommendation #7:

Technical amendments.

The division reviewed the laws for outdated or other items that are no longer necessary and is recommending updating the act with gender neutral terms and removing a section that refers to a transfer of government functions that occurred in 1988.

Please support this legislation to ensure credit unions can continue to operate with appropriate state-level regulation and oversight as well as make multiple updates recommended by DORA to modernize and streamline certain processes.

If you have any questions, please contact Katie March.



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